

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

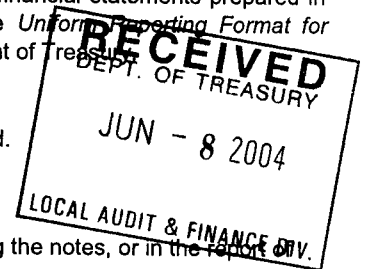
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Muir Michigan	County Ionia
Audit Date 2/29/04	Opinion Date 3/29/04	Date Accountant Report Submitted to State: 6/1/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report on comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, PC			
Street Address 2910 Luperne Drive SE	City Grand Rapids	State MI	ZIP 49546
Accountant Signature 		Date 6/1/04	

**VILLAGE OF MUD
MICHIGAN**

Financial Statements

For the year ended
February 29, 2004

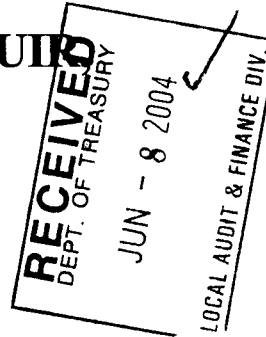


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For the year ended February 29, 2004

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Hungerford, Aldrin,
Nichols & Carter, PC
CPAs AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

March 29, 2004

To the Members of the Village Council
Village of Muir
Muir, Michigan

We have audited the accompanying general purpose financial statements of the Village of Muir, Michigan as of and for the years ended February 29, 2004 and June 30, 2003 (see Note A). These general purpose financial statements are the responsibility of the Village Council. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Village Council, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Village has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets that, in our opinion, is required by accounting principles generally accepted in the United States of America, is not included in the general purpose financial statements.

In our opinion, except for the effect on the general purpose financial statements of the omission of general fixed assets, as described in the preceding paragraph, the general purpose financial statements present fairly, in all material respects, the financial position of the Village of Muir as of February 29, 2004 and June 30, 2003, and the results of its operations and cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Muir, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements of each of the respective individual funds and account groups, taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA



Member
Accountants Global
Network International

Centennial Park East 2910 Lucerne Drive, S.E. Suite 200 Grand Rapids, Michigan 49546-7175
Phone: (616) 949-3200 Fax: (616) 949-7720 E-Mail: postmaster@hanc.com

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET - ALL FUND TYPES

VILLAGE OF MUIR, MICHIGAN
February 29, 2004 and June 30, 2003

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	February 29, 2004	February 29, 2004	June 30, 2003	
ASSETS	General	Special Revenue	Enterprise	
Cash – restricted			\$145,746	\$145,746
Cash – unrestricted	\$258,749	\$39,818	130,747	429,314
Investments – restricted			72,551	72,551
Investments – unrestricted	32,485	11,948	104,880	149,313
Accounts receivable	12,203		25,917	38,120
Taxes receivable	10,644	2,840		13,484
Due from other governmental units	13,144	4,311		17,455
Due from other funds			10,016	10,016
Due from Village of Lyons			399,869	399,869
Fixed assets – cost			3,264,758	3,264,758
Accumulated depreciation			(877,156)	(877,156)
Total Assets	\$327,225	\$58,917	\$3,277,328	\$3,663,470

The notes to financial statements are an integral part of this statement.

LIABILITIES AND FUND EQUITY	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	February 29, 2004	February 29, 2004	June 30, 2003	
	General	Special Revenue	Enterprise	
Liabilities				
Accounts payable	\$25,876	\$4,546	\$10,781	\$41,203
Revenue bonds payable			1,916,653	1,916,653
Total Liabilities	25,876	4,546	1,927,434	1,957,856
Fund Equity				
Restricted retained earnings			219,167	219,167
Unrestricted retained earnings			1,130,727	1,130,727
Unreserved fund balance	301,349	54,371		355,720
Total Fund Equity	301,349	54,371	1,349,894	1,705,614
Total Liabilities and Fund Equity	\$327,225	\$58,917	\$3,277,328	\$3,663,470

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -ALL GOVERNMENTAL
FUND TYPES**

GENERAL AND SPECIAL REVENUE FUNDS

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	General	Special Revenue	Totals (Memorandum Only)
Revenues			
Taxes	\$86,698	\$22,872	\$109,570
State grants	77,820	52,103	129,923
Interest	5,322	1,494	6,816
Rentals	125,638		125,638
Other	5,297	3,291	8,588
Total Revenues	300,775	79,760	380,535
Expenditures			
Current:			
Legislative	11,670		11,670
Executive	2,500		2,500
Elections	548		548
General services administration	119,504		119,504
Fire	12,743		12,743
Public works	144,723		144,723
Highways and streets		122,672	122,672
Buildings and grounds	18,360		18,360
Fringe benefits	36,452		36,452
Other	13,722	10,429	24,151
Total Expenditures	360,222	133,101	493,323
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,447)	(53,341)	(112,788)
Fund Balance - March 1, 2003	360,796	107,712	468,508
Fund Balance - February 29, 2004	\$301,349	\$54,371	\$355,720

The notes to financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

GENERAL AND SPECIAL REVENUE FUNDS

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	General Fund		Variance – Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$91,000	\$86,698	(\$4,302)
State grants	84,000	77,820	(6,180)
Interest	3,000	5,322	2,322
Rentals	132,000	125,638	(6,362)
Other	5,000	5,297	297
Total Revenues	315,000	300,775	(14,225)
Expenditures			
Current:			
Legislative	12,150	11,670	480
Executive	2,500	2,500	
Elections	300	548	(248)
General services administration	68,800	119,504	(50,704)
Ambulance	3,000		3,000
Fire	11,000	12,743	(1,743)
Public works	143,400	144,723	(1,323)
Highways and streets			
Buildings and grounds	16,100	18,360	(2,260)
Fringe benefits	39,400	36,452	2,948
Other	12,000	13,722	(1,722)
Total Expenditures	308,650	360,222	(51,572)
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,350	(59,447)	(65,797)
Fund Balance - March 1, 2003	360,796	360,796	
Fund Balance - February 29, 2004	\$367,146	\$301,349	(65,797)

The notes to financial statements are an integral part of this statement.



Special Revenue Funds		
Budget	Actual	Variance – Favorable (Unfavorable)
\$18,000	\$22,872	\$4,872
43,350	52,103	8,753
1,700	1,494	(206)
5,000	3,291	(1,709)
68,050	79,760	11,710
105,400	122,672	(17,272)
8,050	10,429	(2,379)
113,450	133,101	(19,651)
(45,400)	(53,341)	(7,941)
107,712	107,712	
\$62,312	\$54,371	(\$7,941)

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS – BUDGET AND ACTUAL – PROPRIETARY
FUND TYPE**

ENTERPRISE FUNDS
VILLAGE OF MUIR, MICHIGAN
For the year ended June 30, 2003

	Budget	Actual	Variance – Favorable (Unfavorable)
Operating Revenues			
Charges for services	\$219,000	\$204,228	(\$14,772)
Hydrant rental	6,000	6,000	
Village of Lyons – operating and maintenance	12,000	11,158	(842)
Other	2,000	3,012	1,012
Total Operating Revenues	239,000	224,398	(14,602)
Operating Expenses			
Sewer collection and treatment	41,800	48,493	(6,693)
Water operating and maintenance	45,700	79,692	(33,992)
Depreciation	39,306	39,306	
Other		62	(62)
Total Operating Expenses	126,806	167,553	(40,747)
Operating Income	112,194	56,845	(55,349)
Nonoperating Revenues (Expenses)			
Contributed capital from Village of Lyons		165,287	165,287
Interest revenue	5,500	8,900	3,400
Interest expense	(1,500)	(2,050)	(550)
Net Income	116,194	228,982	112,788
Retained Earnings - July 1, 2002	1,120,912	1,120,912	
Retained Earnings - June 30, 2003	\$1,237,106	\$1,349,894	\$112,788

The notes to financial statements are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

VILLAGE OF MUIR, MICHIGAN

For the year ended June 30, 2003

	Enterprise Funds
Cash Flows from Operating Activities	
Operating income	\$56,845
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,306
Changes in assets and liabilities:	
Accounts receivable	(4,320)
Due from Village of Lyons	(1,567)
Prepaid expense	2,224
Accounts payable	(24,048)
Due from General Fund	(4,500)
Net Cash Provided by Operating Activities	63,940
Cash Flows from Financing Activities	
Principal and interest paid on long-term debt	(72,050)
Proceeds from long-term borrowing	704,444
Net Cash Provided by Financing Activities	632,394
Cash Flows from Investing Activities	
Interest received on investments	8,900
Purchase of investments	(4,900)
Capital expenditures	(768,145)
Net Cash Used for Investing Activities	(764,145)
Net Decrease in Cash	(67,811)
Beginning Cash Balance	344,304
Ending Cash Balance	\$276,493
Schedule of Noncash Investing and Financing Activities	
Capital Contribution Accrued from Village of Lyons	\$165,287

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note A - Summary of Significant Accounting Policies

Reporting Entity

The Village of Muir, Michigan in Ionia County was organized under the laws of the State of Michigan as a general law Village in 1871.

The members of the Village Council at February 29, 2004 were as follows:

President	-	Lawrence Sandborn
Treasurer	-	Jean Haskins
Clerk	-	Laura Stewart
Council Members	-	Al Crooke Doug Hyland Matt Kasper Todd Underwood

According to the 2000 census, the Village population is 634.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No.14, "The Financial Reporting Entity," the financial statements of the Village of Muir contain all funds that are controlled by or dependent on the Village. Control or dependence is determined on the basis of appointment of governing authority, budget adoption, taxing authority, funding obligations, and scope of public service.

Basis of Presentation - Fund Accounting

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Village resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various fund types for accounting and financial reporting purposes are as follows:

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note A - Summary of Significant Accounting Policies (Continued)

Governmental Funds

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Account Groups

Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund types are accounted for in the *General Fixed Assets Account Group*, rather than in the governmental funds. The Village has not maintained a record of general fixed assets, and a statement of such is not included in the financial statements. Fixed assets related to specific proprietary funds or trust funds are accounted for through those funds.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Any donated fixed assets are valued at their estimated fair value on the date donated.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note A - Summary of Significant Accounting Policies (Continued)

Long-term liabilities expected to be financed from governmental funds are accounted for in the *General Long-Term Debt Account Group*, not in the governmental funds. Long-term liabilities of proprietary funds and trust funds are accounted for through those funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the general long-term debt account group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting

The modified accrual basis of accounting is used by the General Fund and Special Revenue Funds. The full accrual basis of accounting is used by the Proprietary Funds. The General and Special Revenue Funds are reported in the accompanying financial statements for the year ended February 29, 2004. The Enterprise Funds are reported for the year ended June 30, 2003.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer utility service receivables are recorded at year end.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note A - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The Village General Fund, Special Revenue Funds and Enterprise Funds are under budgetary control.
- B. The budgets are generated with input from the Village Council.
- C. The budgets may only be amended by action of the Village Council.
- D. The budgets are adopted on the cash basis of accounting. The cash basis approximates the modified and full accrual basis used for financial statement presentation.
- E. Unused appropriations for all budgeted funds lapse at fiscal year end.
- F. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Fund Equity

The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Designations of unreserved fund balances in governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unrestricted retained earnings for proprietary funds represent the net assets available for future operations or distributions. Restricted retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Capital Assets

The Sewer Collection System and Treatment Facility and the Water Supply System and its improvements are recorded at cost and are being depreciated over their estimated useful lives using the straight-line method. Depreciation for the Water Supply System and the Sanitary Sewer System for the year ended June 30, 2003 was \$6,608 and \$32,698, respectively. Depreciation is computed over the following lives:

Collection system	40 years
Treatment facility	40 years
Water system	40 years
Improvements	5 to 10 years

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note A - Summary of Significant Accounting Policies (Continued)

Risk Management

The Village purchased property and liability insurance, workers' compensation insurance, health and other employee insurance from private carriers for the fiscal year ended February 29, 2004. As of February 29, 2004, there were no material pending claims against the Village. The Village paid \$13,722 in property and liability insurance premiums for the year ended February 29, 2004.

Working Capital

The Village's working capital (current assets less current liabilities) is \$1,118,665.

Capitalized Interest

The village capitalized interest in the amount of \$36,597 relating to construction of the well project.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Total Columns on Financial Statements

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Note B - Cash and Investments

State statutes authorize the Village to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker acceptances, and with some restrictions, mutual funds.

Cash, both restricted and unrestricted, consists of checking accounts, savings accounts and certificates of deposit with original maturities of three months or less from date of acquisition.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note B - Cash and Investments (Continued)

The Village's deposits at year-end were held in the name of the Village and were covered by federal depository insurance up to \$100,000 for the Village and \$100,000 each for the water and sewer systems. The balance of all cash and investments held by the Village are uninsured and uncollateralized.

Cash at February 29, 2004 and June 30, 2003 as shown by the carrying amount and bank balance, and classified by categories of credit risk, are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$300,000	\$300,000
Uninsured:		
Uncollateralized	275,060	298,169
	<u>\$575,060</u>	<u>598,169</u>

Investments are categorized into these three categories of credit risk:

- Category 1: Insured or registered with securities held by the entity or its agent in the entity's name.
- Category 2: Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the entity's name.

At February 29, 2004 and June 30, 2003, the Village's investment balances were as follows:

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	\$221,864	None	None	\$221,864	\$221,864

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note C - Accounts Receivable

Accounts receivable in the General Fund and Special Revenue Fund consists of the following:

	General Fund	Special Revenue Fund
Amounts due from other governmental units:		
Ionia County:		
Property taxes	\$10,644	\$2,840
State of Michigan:		
Sales tax revenue	13,144	
Act 51 revenue		4,311
	<u>\$23,788</u>	<u>\$7,151</u>

Substantially all of the accounts receivable of the Enterprise Fund are less than 30 days old. The remainder is immaterial and collection is expected.

Note D - Due From (To) Other Funds

Amounts due from (to) other funds representing interfund receivables and payables at February 29, 2004 and June 30, 2003 are detailed as follows:

	Due From	Due To
Water Supply System		
General Fund	<u>\$10,016</u>	

The due from and due to amounts are based on different fiscal year ends, and therefore do not offset one another.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note E – Fixed Assets in Proprietary Funds

Fixed assets of the Water and Sewer Enterprise Funds are detailed as follows:

Water Supply System	\$142,292
Improvements	61,097
Land	32,500
Construction in Progress	<u>1,990,821</u>
	2,226,710
Less Accumulated Depreciation	<u>(151,804)</u>
Fixed Assets, net – Water Supply System	<u>2,074,906</u>
Sewer Treatment Facility	489,077
Sewer Collection Facility	522,971
Land	<u>26,000</u>
	1,038,048
Less Accumulated Depreciation	<u>(725,352)</u>
Fixed Assets, net – Sewer System	<u>312,696</u>
Total Fixed Assets, net	<u><u>\$2,387,602</u></u>

Note F - Bonded Debt

The outstanding bonds of the Sanitary Sewer System are redeemable from the net revenues of the system; however, the full faith and credit of the Village of Muir is also pledged. The bonds bear interest at 5% per annum, are payable semi-annually and mature on January 1, in each year as follows:

2004	<u><u>\$41,000</u></u>
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NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note F - Bonded Debt (Continued)

These bonds are subject to redemption prior to normal maturity at the option of the Village in inverse numerical order on any interest payment date, redeemable at par plus accrued interest to date of redemption. There was no debt retired for the year ended June 30, 2003.

The Water Supply System of the Village of Muir, Michigan has approved issuance of bonds for \$1,850,000 and \$340,000 for a total of \$2,190,000. The bonds bear interest at 2.5% per annum, payable semi-annually. The outstanding balance at June 30, 2003 was \$1,875,653. The outstanding bonds are redeemable from the net revenues of the system. However, the full faith and credit of the Village of Muir is also pledged. Once construction is completed and the full \$2,190,000 is issued, the maturity will be as follows:

	\$1,850,000 Bonds	\$340,000 Bonds
	Principal	Principal
Year ending June 30, 2004	\$75,000	\$5,000
2005	75,000	5,000
2006	75,000	10,000
2007	80,000	10,000
2008	80,000	10,000
2009	85,000	15,000
2010	85,000	15,000
2011	90,000	15,000
2012	90,000	20,000
2013	95,000	20,000
2014	95,000	20,000
2015	100,000	25,000
2016	100,000	25,000
2017	100,000	20,000
2018	105,000	20,000
2019	110,000	25,000
2020	110,000	25,000
2021	115,000	25,000
2022	115,000	25,000
	\$1,780,000	\$335,000

The bonds are subject to redemption prior to maturity by the Village in whole or in part only with the prior written consent of the Michigan Municipal Bond Authority.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note G – Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual and budget expenditures have been shown on a functional basis.

During the fiscal years reported in the accompanying financial statements, the Village incurred expenditures in funds which were in excess of the amounts appropriated as follows:

Fund	Total Appropriations	Amount of Expenditures	Unfavorable Variance
General Fund	\$308,650	\$360,222	(\$51,572)
Special Revenue Funds	\$113,450	\$133,101	(\$19,651)
Proprietary Funds	\$126,806	\$167,553	(\$40,747)

Note H – Retirement Plan

The Village of Muir provides retirement benefits to its employees through participation in the Michigan Municipal Employees Retirement System, a defined benefit multiple employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan.

All full-time employees are eligible to participate in the Plan. Participants with 25 years of service may begin drawing out benefits at 50 years of age; those with 15 years of service, at age 55; and those with 10 years of service, at age 60.

Village employees are required to contribute 2.0% of their annual salaries to the Plan. The Village is required to contribute the amounts necessary to fund the Plan, using level percent of payroll funding principles.

The benefits of the plan are determined by taking the member's five-year final average compensation multiplied by the percentage elected by the Village based on benefits chosen.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note H– Retirement Plan (Continued)

The following summarizes the funded status of the plan:

Accumulated employee contributions, including investment income	
Retirees	\$237,620
Current employees	16,582
Employer financed – vested	<u>95,029</u>
Total pension benefit obligation	349,231
Plan assets at cost (at market: \$172,351)	<u>216,896</u>
Unfunded pension benefit obligation at December 31, 2002	<u><u>\$132,335</u></u>

The rate of return on the investment of present and future assets was assumed to be 8.0% per year compounded annually.

Contributions to the plan for the year ended February 29, 2004 were \$9,492. The annual required contribution is \$10,752 for the fiscal year beginning March 1, 2004.

Note I – Property Taxes

The Village's property taxes are due and payable on July 1 of each year. The taxes are paid to the Village through September after which the taxes become delinquent. The County of Ionia advances all delinquent property taxes in March of the following year.

Village property tax revenues are recognized in the General and Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available.

The Village tax rates assessed for the year ended February 29, 2004 were \$15.03 per \$1,000 valuation.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

Note J – Water Supply System Well Project

The Water Supply System of the Village of Muir, Michigan is involved in a project to add a new well to the Water Supply System. The Water Supply System is receiving Drinking Water Revolving Fund monies from the State of Michigan. The total project costs are estimated to be \$2,190,000, to be financed with the borrowing from the State.

The Village has incurred costs in the amount of \$2,023,321, consisting of land of \$32,500 and construction in progress of \$1,990,821. The Water Supply System has borrowed \$1,945,653 from the Michigan Municipal Bond Authority to finance these costs.

Note K – Water Supply System Shared Costs

The Village of Muir has brought suit against the Village of Lyons for non-payment of amounts due in accordance with the agreement to share costs based on water usage by each Village. The amount outstanding at June 30, 2003 is \$398,711. The case is scheduled for trial in 2004. Outside counsel for the Village has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome.

Note L – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds, which provide sewer and water services. Segment information for the year ended June 30, 2003 is as follows:

	Sewer Fund	Water Fund	Total
Operating revenues	\$85,231	\$139,167	\$224,398
Operating expenses			
(including depreciation)	81,253	86,300	167,553
Depreciation	32,698	6,608	39,306
Operating income	3,978	52,867	56,845
Nonoperating revenues	4,040	168,097	172,137
Net income	8,018	220,964	228,982
Fixed asset additions		768,145	768,145
Net working capital	276,135	486,810	762,945
Retained earnings	588,831	761,063	1,349,894

SUPPLEMENTAL INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

VILLAGE OF MUIR, MICHIGAN

February 29, 2004

	Cemetery	Major Street	Local Street	Total
<i>ASSETS</i>				
Cash		\$30,649	\$9,169	\$39,818
Investments	\$11,948			11,948
Taxes receivable	346	1,247	1,247	2,840
Due from other governmental units		3,115	1,196	4,311
Total Assets	\$12,294	\$35,011	\$11,612	\$58,917
<i>LIABILITIES AND FUND EQUITY</i>				
Liabilities				
Accounts payable		\$2,728	\$1,818	\$4,546
Fund Balance				
Unreserved	\$12,294	32,283	9,794	54,371
Total Liabilities and Fund Balance	\$12,294	\$35,011	\$11,612	\$58,917

COMBINING BALANCE SHEET - ENTERPRISE FUNDS

VILLAGE OF MUIR, MICHIGAN
June 30, 2003

	Sanitary Sewer System	Water Supply System	Total
<i>ASSETS</i>			
Cash – restricted	\$96,977	\$48,769	\$145,746
Cash – unrestricted	120,739	10,008	130,747
Investments – restricted	7,695	64,856	72,551
Investments – unrestricted	86,031	18,849	104,880
Accounts receivable	10,300	15,617	25,917
Due from General Fund		10,016	10,016
Due from Village of Lyons	1,158	398,711	399,869
Fixed assets, net	312,696	2,074,906	2,387,602
Total Assets	\$635,596	\$2,641,732	\$3,277,328
<i>LIABILITIES AND FUND EQUITY</i>			
Liabilities			
Accounts payable	\$5,765	\$5,016	\$10,781
Revenue bonds payable	41,000	1,875,653	1,916,653
Total Liabilities	46,765	1,880,669	1,927,434
Fund Equity			
Retained earnings – restricted	105,542	113,625	219,167
Retained earnings – unrestricted	483,289	647,438	1,130,727
Total Fund Equity	588,831	761,063	1,349,894
Total Liabilities And Fund Equity	\$635,596	\$2,641,732	\$3,277,328

SCHEDULE OF GENERAL FUND EXPENDITURES – BUDGET AND ACTUAL

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	Budget	Actual	Variance – Favorable (Unfavorable)
Legislative:			
Village Council	\$10,150	\$10,530	(\$380)
Professional services	2,000	475	1,525
Supplies and other expenses		665	(665)
	12,150	11,670	480
Executive:			
Village President	2,500	2,500	—
Elections	300	548	(248)
General Services Administration:			
Salaries	36,800	34,492	2,308
Contract labor	1,000	1,800	(800)
Office supplies	6,000	4,609	1,391
Miscellaneous	1,000	1,755	(755)
Parks and recreation	20,000	74,167	(54,167)
Lyons library fund	2,000	2,214	(214)
Meetings and seminars	2,000	467	1,533
	68,800	119,504	(50,704)
Ambulance:			
Payments to other governmental units	3,000	—	3,000
Fire:			
Hydrant rental	6,000	6,000	
Maintenance and supplies	5,000	6,743	(1,743)
	11,000	12,743	(1,743)

(Continued)

***SCHEDULE OF GENERAL FUND EXPENDITURES – BUDGET
AND ACTUAL (Continued)***

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	Budget	Actual	Variance – Favorable (Unfavorable)
Public Works:			
Wages	\$79,500	\$88,839	(\$9,339)
Street lights	7,000	7,277	(277)
Clothing allowance and rentals	1,500	2,334	(834)
Equipment repairs and maintenance	10,000	9,290	710
Gas and oil	4,500	4,577	(77)
Capital outlay	32,400	22,914	9,486
Retirement	8,500	9,492	(992)
	<u>143,400</u>	<u>144,723</u>	<u>(1,323)</u>
Buildings and Grounds:			
Repairs and maintenance	500	1,134	(634)
Utilities	15,600	17,226	(1,626)
	<u>16,100</u>	<u>18,360</u>	<u>(2,260)</u>
Fringe Benefits:			
Insurance	29,600	26,921	2,679
Social Security	9,800	9,531	269
	<u>39,400</u>	<u>36,452</u>	<u>2,948</u>
Other:			
Insurance	12,000	13,722	(1,722)
Total	<u><u>\$308,650</u></u>	<u><u>\$360,222</u></u>	<u><u>(\$51,572)</u></u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS**

VILLAGE OF MUIR, MICHIGAN
For the year ended February 29, 2004

Revenues	Cemetery
Taxes	\$1,088
State grants	
Interest	1,494
Other	2,737
	<hr/>
Total Revenues	5,319
	<hr/>
Expenditures	
Current:	
Highways and streets	
Other:	
Building materials and labor	5,943
Rentals	3,300
Miscellaneous	786
	<hr/>
Total Expenditures	10,029
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,710)
Fund Balance - March 1, 2003	17,004
	<hr/>
Fund Balance - February 29, 2004	\$12,294
	<hr/> <hr/>

Major Street	Local Street	Total
\$10,892	\$10,892	\$22,872
37,961	14,142	52,103
		1,494
326	228	3,291
49,179	25,262	79,760
73,531	49,141	122,672
		5,943
		3,300
200	200	1,186
73,731	49,341	133,101
(24,552)	(24,079)	(53,341)
56,835	33,873	107,712
\$32,283	\$9,794	\$54,371

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS – ENTERPRISE FUNDS**

VILLAGE OF MUIR, MICHIGAN

For the year ended June 30, 2003

	Sanitary Sewer System	Water Supply System	Total
Operating Revenues			
Charges for services	\$73,881	\$130,347	\$204,228
Hydrant rental		6,000	6,000
Village of Lyons - operating and maintenance	11,158		11,158
Other	192	2,820	3,012
Total Operating Revenues	85,231	139,167	224,398
Operating Expenses			
Sewer collection	24,211		24,211
Sewer treatment	24,282		24,282
Water operating and maintenance		79,692	79,692
Depreciation	32,698	6,608	39,306
Other	62		62
Total Operating Expenses	81,253	86,300	167,553
Operating Income	3,978	52,867	56,845
Nonoperating Revenues (Expenses)			
Contributed capital from Village of Lyons		165,287	165,287
Interest revenue	6,090	2,810	8,900
Interest expense	(2,050)		(2,050)
Net Income	8,018	220,964	228,982
Retained Earnings – July 1, 2002	580,813	540,099	1,120,912
Retained Earnings – June 30, 2003	\$588,831	\$761,063	\$1,349,894

***SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL – CEMETERY SPECIAL REVENUE FUND***

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	Budget	Actual	Variance – Favorable (Unfavorable)
Revenues			
Taxes	\$1,000	\$1,088	\$88
Interest	1,700	1,494	(206)
Other:			
Grave openings	2,500	2,000	(500)
Sale of lots	1,000	400	(600)
Miscellaneous	1,500	337	(1,163)
Total Revenues	<u>7,700</u>	<u>5,319</u>	<u>(2,381)</u>
Expenditures			
Current:			
Building materials and labor	3,000	5,943	(2,943)
Rentals	4,000	3,300	700
Miscellaneous:			
Perpetual care	500	100	400
Insurance	150	301	(151)
Other		385	(385)
Total Expenditures	<u>7,650</u>	<u>10,029</u>	<u>(2,379)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$50</u>	<u>(\$4,710)</u>	<u>(\$4,760)</u>

***SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL – MAJOR STREET SPECIAL REVENUE FUND***

VILLAGE OF MUIR, MICHIGAN
For the year ended February 29, 2004

	Budget	Actual	Variance – Favorable (Unfavorable)
Revenues			
Taxes	\$8,000	\$10,892	\$2,892
State grants	30,000	37,961	7,961
Other		326	326
Total Revenues	38,000	49,179	11,179
Expenditures			
Current:			
Highways and streets:			
Routine maintenance	56,600	60,738	(4,138)
Winter maintenance	7,500	12,793	(5,293)
Miscellaneous:			
Administration	200	200	
Total Expenditures	64,300	73,731	(9,431)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$26,300)	(\$24,552)	\$1,748

***SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND
ACTUAL - LOCAL STREET SPECIAL REVENUE FUND***

VILLAGE OF MUIR, MICHIGAN

For the year ended February 29, 2004

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$9,000	\$10,892	\$1,892
State grants	13,350	14,142	792
Other		228	228
Total Revenues	22,350	25,262	2,912
Expenditures			
Current:			
Highways and streets:			
Routine maintenance	38,600	42,359	(3,759)
Winter maintenance	2,700	6,782	(4,082)
Miscellaneous:			
Administration	200	200	
Total Expenditures	41,500	49,341	(7,841)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$19,150)	(\$24,079)	(\$4,929)

Hungerford, Aldrin,
Nichols & Carter, PC
CPAS AND CONSULTANTS

Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Edward L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Saurman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA



May 24, 2004

To the Members of the
Village Council
Village of Muir
Muir, Michigan

During the course of our examination of the financial statements of the Village for the year ended February 29, 2004, the following came to our attention which we feel the Council should address in the upcoming fiscal year.

Investment Policy

The Village of Muir has adopted an investment policy as required by the State of Michigan. The investment policy states which types of investments are allowed and also that the Village will maintain no more than 50% of the total portfolio with any one institution. As of February 29, 2004, the Village had a majority of its investments with Independent Bank. This is an exception of the investment policy, and we recommend that the Village Council either diversify its investments by putting funds with other financial institutions or modify its investment policy. Diversifying the funds will increase the funds that are insured by FDIC since it is a new \$100,000 limit per financial institution.

P.A. 621

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The expenditures in excess of the related appropriations are as follows:

Activity	Total Appropriations	Amount of Expenditures	Budget Variance
Elections	300	548	(248)
General Services Administration	68,800	119,504	(50,704)
Fire	11,000	12,743	(1,743)
Public works	143,400	144,723	(1,323)
Building and Grounds	16,100	18,360	(2,260)
Other	12,000	13,722	(1,722)



Member
Accountants Global
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Centennial Park East 2910 Lucerne Drive, S.E. Suite 200 Grand Rapids, Michigan 49546-7175
Phone: (616) 949-3200 Fax: (616) 949-7720 E-Mail: postmaster@hanc.com

To the Members of the
Village Council
Page 2
May 24, 2004

Cemetery Fund

The Village currently shows the Cemetery Fund as a special revenue fund for financial reporting purposes. The revenues for the Cemetery Fund are not sufficient to fully fund the cemetery operations. The excess expenditures are being funded by the General Fund. We recommend that these two funds be merged and that the Cemetery Fund be shown as a separate expenditure within the General Fund.

Village purchases

During our testing of invoices for the year ended February 29, 2004, it was noted that there were two occasions where employees reimbursed the Village for items purchased by the Village. The Village should only purchase items or services for Village use.

General Ledger

We recommend that the Village maintain for their records various reports for the fiscal year they are closing. The reports should include a cash receipts journal, cash disbursement journal, adjusting journal entry report and a detailed general ledger account activity showing the activity in all accounts for the entire fiscal year.

The general ledger for the Village is out of balance by \$2,474.84 at February 29, 2004. Due to the amount, we did not take additional steps to identify the reason for the difference. We would recommend that the Village work with their software provider to resolve the issues creating this imbalance. We would be available to assist in this matter.

We are enclosing adjusting journal entries for the year ended February 29, 2004. These entries should be posted to the general ledger as of February 29, 2004.

Reconciliation of Cash

During the course of our audit, we noted that the Village Treasurer is on a monthly basis correctly reconciling cash on the bank statements to the check stubs where a running balance is kept. This reconciliation needs to be further tied out to the cash balance in the general ledger. We recommend that the Village clerk and treasurer work together to perform this reconciliation. We are available to assist with this.

If you have any questions or desire any additional information on these recommendations, please let us know. We wish to thank the Village Clerk, Treasurer, and the other Village officials for their cooperation during the course of our examination.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry W. Nichols, CPA". The signature is fluid and cursive, with the initials "JWN" and "CPA" clearly visible at the end.

Jerry W. Nichols, CPA